

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 H-01 SOE-02 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 DOE-11 INR-07
INT-05 L-03 NSAE-00 OMB-01 PM-05 OES-07 SP-02
SS-15 STR-05 TRSE-00 ACDA-12 NSCE-00 USIE-00
INRE-00 AGRE-00 SSO-00 /115 W
-----071180 050324Z /64

O R 050252Z JAN 78
FM USLO PEKING
TO AMCONSUL HONG KONG IMMEDIATE
SECSTATE WASHDC 9544
INFO AMEMBASSY PARIS
AMEMBASSY TAIPEI
AMEMBASSY TOKYO

C O N F I D E N T I A L PEKING 0029

HONG KONG PASS TO AMB WOODCOCK

E.O. 11652: GDS
TAGS: EEWT ENRG EFIN CH US ECON
SUBJ: SENATOR KENNEDY'S INTERVIEW WITH FOREIGN TRADE
MINISTER LI CHIANG

1. THE FOLLOWING IS A SUMMARY OF SIGNIFICANT POINTS
COVERED DURING SENATOR KENNEDY'S CALL ON LI CHIANG ON JAN 3.

2. PRODUCTION SHARING. SENATOR KENNEDY NOTED THAT
OTHER COUNTRIES HAVE ENTERED INTO OIL DEVELOPMENT
ARRANGEMENTS WITH FOREIGN COMPANIES WHERE THE COMPANIES
ARE COMPENSATED IN OIL. LI STATED THAT CHINA IS STUDYING SUCH
ARRANGEMENTS BUT GAVE NO FURTHER INDICATION OF WHETHER
CHIA WOULD ACCEPT A PRODUCTION SHARING ARRANGEMENT.

3. ENERGY POLICY. LI SAID THAT CHINA NEEDS TO GENERATE
MORE ELECTRIC POWER BUT WISHES TO REDUCE THE AMOUNT
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OF OIL CONSUMED IN POWER GENERATION. RATHER, CHINA WANTS TO
EXPORT MORE OIL (AND COAL) TO INCREASE ITS ABILITY TO IMPORT.
BECAUSE OF DIFFICULTIES IN TRANSPORTING COAL,
CHINA WILL BUILD POWER PLANTS NEAR COAL MINES.

4. TRADE FINANCING. ASKED ABOUT DEFERRED
PAYMENTS, LI SAID THAT MANY COUNTRIES HAVE

PROPOSED REPAYMENT PERIODS OF OVER FIVE YEARS.
CHINA MAY PROLONG TERMS, "BUT WE DON'T WANT TO
OWE TOO MUCH DEBT," LI SAID.

5. TECHNOLOGY TRANSFER. LI COMPLAINED THAT US LICENSES HAVE BEEN
WITHHELD FOR "CERTAIN COMPUTERS" AND AS A RESULT (SIC) CONTRACTS
CANNOT BE SIGNED.

6. WHEAT SALES. LI STATED THAT CHINA DID NOT BUY US WHEAT EARLY
LAST YEAR BECAUSE THE US PRICE WAS TOO HIGH. "THERE IS ALSO
A QUESTION OF SMUT, BUT THIS CAN BE SOLVED THROUGH
FUMIGATION," HE SAID.

7. WHOLE PLANT IMPORTS. ASKED ABOUT PRC PLANS FOR IMPORTATION OF
TURNKEY PLANTS, LI SAID THAT THE BUILDING OF A GREAT MANY COMPLETE
PLANTS IS STILL UNDER STUDY AND INVESTIGATION. LI SAID HE
COULD NOT STATE WHEN FIRM DECISIONS WILL BE MADE.
DEAN

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